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Message Text

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ACTION SP-02

INFO OCT-01 ISO-00 /003 W
---------- 064165
R 251050Z AUG 75
FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC 1714
INFO AMEMBASSY NEW DELHI

C O N F I D E N T I A L SECTION 1 OF 2 ISLAMABAD 7809

E.O. 11652: GDS
TAGS: EGEN, EAID, PK
SUBJECT: THE CHALLENGE OF THE DEVELOPING COUNTRIES:
EMBASSY COMMENTS ON THE DEPARTMENT'S (S/P) STUDY

REF: DEPARTMENT'S A-3627, MAY 23, 1975

BEGIN SUMMARY: EMBASSY READ WITH INTEREST EXCELLENT S/P STUDY. OUR PRINCIPAL COMMENTS, WHICH WE HAVE DELIBERATELY KEPT BRIEF, ARE THAT THE USG NEEDS TO CLARIFY ITS OBJECTIVES VIS-A-VIS THE THIRD WORLD AND TO DEVELOP A FORMULA FOR RESOURCE TRANSFER, POSSIBLY LINKED TO GAINS IN US PER CAPITA INCOME. MISSION OPINION IS DIVIDED ON THE MERITS OF POLITICIZING FOOD EXPORTS AND FOOD AID, AND WE NOTE DIFFICULTIES FOR PAKISTAN IN ENGAGING IN ANY MEANINGFUL COMMODITY ARRANGEMENTS. WE SUPPORT CULTIVATING THE "KEY MIDDLE POWERS", BUT BELIEVE THAT THIS CAN ONLY BE DONE BY PROMISING THEM CONCRETE RESULTS IN AREAS OF TANGIBLE INTEREST TO THEM, WHICH IN PAKISTAN'S CASE MEANS AID.
END SUMMARY.

1. THE S/P STUDY ON THE CHALLENGE OF THE DEVELOPING COUNTRIES IS ONE OF THE BEST COMPREHENSIVE POLITICAL ANALYSES WE HAVE SEEN OF THE STRESSES AND STRAINS IN DEVELOPED-DEVELOPING COUNTRY RELATIONS. HOWEVER, WE BELIEVE THE STUDY COULD USEFULLY HAVE CONTAINED A MORE EXPLICIT STATEMENT OF THE ECONOMIC REALITIES WHICH ARE THE FUNDAMENTAL CAUSE OF THIRD WORLD DISCONTENT - THE FACT THAT MOST THIRD WORLD NATIONS ARE VERY POOR.
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WE ARE PARTICULARLY CONSCIOUS OF THISIN SERVING IN THE SUB-CONTINENT WHEN BOTH THE POVERTY OF THE 800 MILLION

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PEOPLE WHO LIVE THERE AND THE PROBLEMS OF RAPID POPULATION GROWTH ARE VERY MUCH IN EVIDENCE. OUR FOUR AREAS OF COMMENT FOLLOW:

1. CLARIFYING US OBJECTIVES

WE SUSPECT THAT A MAJOR REASON THE USG IS HAVING DIFFICULTY FORMULATING A STRATEGY OF RESPONSE TO THE DEMANDS OF THE THIRD WORLD IS THAT THE USG HAS ITSELF NO CLEAR IDEA OF WHAT ITS OBJECTIVES ARE TOWARDS THE THIRD WORLD (OTHER THAN BROAD GENERALITIES) OR THE EXTENT TO WHICH IT IS PREPARED TO ENGAGE IN RESOURCE TRANSFER. WE BELIEVE THAT THESE LACKS GO FAR TO EXPLAIN WHY THE U.S. HAS SO FAR DEVELOPED WHAT THE S/P PAPER DESCRIBES AS IN INEFFECTIVE INTELLECTUAL REBUTTAL TO THIRD WORLD DEMANDS.

THE PEOPLE OF THE THIRD WORLD ARE VERY POOR. THIS IS THEIR CRUCIAL ECONOMIC PROBLEM, AND MANY OF THEM (CERTAINLY INCLUDING PAKISTAN) REGARD OUR WILLINGNESS TO HELP THEM OVERCOME THEIR POVERTY AS THE TOUCHSTONE OF U.S. POLITICAL INTENTIONS. AS A RESULT, WE BELIEVE THAT RESOURCE TRANSFER, HOW MUCH AND ON WHAT TERMS, IS THE KEY ISSUE WHICH THE USG MUST ADDRESS.

FEW AMERICANS, WE SUSPECT, WILL ACCEPT A LONG-RANGE COMMITMENT TO SIGNIFICANT AMOUNTS OF RESOURCE TRANSFER IF (A) IT THREATENS TO OFFER THE PROSPECT OF STAGNATION OR DECLINE IN AMERICAN LIVING STANDARDS, OR (B) IT DOES NOT OFFER REASONABLE PROSPECTS OF IMPROVING LDC LIVING STANDARDS. ON THE FORMER, WE THINK A PERSUASIVE CASE CAN BE DEVELOPED FOR A US COMMITMENT TO RESOURCE TRANSFER AND SOLD TO THE AMERICAN PUBLIC IF THIS CAN SOMEHOW BE RELATED TO SHARING GAINS IN US PER CAPITA REAL INCOME. ON THE SECOND POINT, FOREIGN AID HAS CONTRIBUTED SUBSTANTIALLY TO INCREASES IN LIVING STANDARDS IN THE DEVELOPING WORLD AND NOT A FEW COUNTRIES WE WERE HELPING YEARS AGO ARE NOW MAKING IT ON THEIR OWN. THE USG COULD DO A MUCH BETTER JOB IN PUBLICIZING THE
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REAL RESULTS OF AID AND COUNTERING THE WIDESPREAD SUSPICION IN THE AMERICAN PUBLIC THAT MUCH OF AID HAS HAD LITTLE REAL IMPACT.

2. FOOD

STATE 148311 STATES THAT "IT IS NOT US POLICY TO USE FOOD AS A POLITICAL WEAPON". WE ARE NOT ENTIRELY SURE WHAT THIS MEANS. WE HOPE THAT OUR FOOD POLICY WILL NOT BE ADMINISTERED IN SUCH A WAY AS TO LOSE THE

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(ADMITTEDLY LIMITED) LEVERAGE WE NOW HAVE FROM PL-480, BOTH FOR ECONOMIC SELF-HELP MEASURES AND FOR OTHER IMPORTANT POLITICAL OBJECTIVES. THERE IS SOME DIFFERENCE OF OPINION WITHIN THE MISSION ABOUT THE EXTENT TO WHICH THE WITHHOLDING OF PL-480, OR FOOD EXPORTS GENERALLY, SHOULD BE CONSIDERED A LEGITIMATE WEAPON TO USE IN CASE OF A MAJOR CONFRONTATION BETWEEN THE US AND OTHER COUNTRIES. ONE VIEW IS THAT ECONOMIC AND DEVELOPMENT CONSIDERATIONS SHOULD BE THE DECIDING ONES, WITH LEVERAGE QUITE APPROPRIATELY USED ON DEVELOPMENT ISSUES. ANOTHER, MORE CRITICAL OF WHAT WE UNDERSTAND TO BE PRESENT USG POLICY, IS THAT IT WOULD BE A MISTAKE FOR US TO FORESWEAR WHAT MAY BE THE MOST POTENT SOURCE OF ECONOMIC LEVERAGE THE US HAS FOR USE IN A POLITCAL (NOT DEVELOPMENT) CONTEXT. IN ANY CASE, FOOD POLICY IS CLEARLY CRITICAL TO OUR POSTURE TOWARDS THE DEVELOPING COUNTRIES.

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ACTION SP-02

INFO OCT-01 ISO-00 /003 W
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R 251050Z AUG 75
FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC 1715
INFO AMEMBASSY NEW DELHI

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3. COMMODITIES

PAKISTAN'S POSITION DEMONSTRATES THE CONTRADICTIONS INHERENT IN THE COMMODITY ISSUE. THERE IS SOME INTEREST IN PAKISTAN GOVERNMENT CIRCLES IN INTERNATIONAL COMMODITY ARRANGEMENTS, BUT AS YET NO CLEARLY FOCUSED POSITION BECAUSE OF THE NATURE OF THE COUNTRY'S COMMODITY EXPORTS (LARGELY COTTON AND RICE) AND IMPORTS (OIL). PAKISTAN WOULD WELCOME COMMODITY ARRANGEMENTS FOR RICE AND COTTON, IF THESE WOULD LEAD TO HIGHER PRICES, BUT THESE EXPORT ITEMS ALSO HAPPEN TO BE ONES IN WHICH THE US AND OTHER DEVELOPED COUNTRIES ARE MAJOR EXPORTERS.

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THIS, ARTIFICALLY SUPPORTED PRICES FOR THESE GOODS WOULD BENEFIT PAKISTAN, BUT MIGHT NOT LEAD TO ANY NET "TRANSFER OF RESOURCES" TO THE THIRD WORLD.

AS A COMMODITY IMPORTER OF OIL - TO THE TUNE OF $390 MILLION PER ANNUM OR THE EQUIVALENT OF 39 PERCENT OF ITS FY 1975 EXPORT EARNINGS - PAKISTAN HAS HINTED AN INTEREST IN A TWO-TIERED OIL PRICE SYSTEM: A LOWER PRICE FOR POOR COUNTRIES, AND A HIGHER ONE FOR THE DEVELOPED WORLD. IT HAS REFRAINED, HOWEVER FROM TAKING A PUBLIC POSTURE ON THIS FOR FEAR OF ANTAGONIZING THE OPEC COUNTRIES. IT HAS ALSO EXPRESSED INTEREST IN A SYSTEM WHEREBY POOR OIL IMPORTING COUNTRIES WOULD BE COMPENSATED FOR HIGH OIL PRICES.

4. RELATIONS WITH "THE MIDDLE POWERS":

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PAKISTAN TELLS US THAT IT PREACHES MODERATION BEHIND THE SCENES BUT CANNOT AFFORD TO BREAK WITH THE MAINSTREAM OF THIRD WORLD OPINION IN ANY SHOWDOWN. MANY OTHER COUNTRIES APPARENTLY TAKE THE SAME LINE, SO ANY STRATEGY OF "LIMITING THEIR ALIGNMENT" IS BOUND TO BE DIFFICULT. WE SUPPORT THE GENERAL NOTION, CONTAINED IN THE PAPER, THAT THE US SHOULD TRY TO WORK WITH THE "EMERGING MIDDLE POWERS", BUT BELIEVE THAT THIS CAN ONLY BE DONE BY APPEALING TO THEIR SELF INTEREST IN IMMEDIATELY TANGIBLE WAYS. AND THIS MUST RECOGNIZE THAT THEY ARE "MIDDLE" ONLY IN A POLICY SENSE. PAKISTAN, FOR EXAMPLE, IS A VERY POOR COUNTRY WHERE BASIC HUMAN NEEDS ARE NOT MET. (ITS PER CAPITA GNP IS ABOUT 3 PERCENT OF THAT IN THE UNITED STATES.)

OUR RECENT DISCUSSIONS WITH THE PAKISTAN GOVERNMENT ON LDC-DC ISSUES HAVE REVEALED THAT PAKISTAN IS VERY MUCH INTERESTED IN OUR PROPOSALS FOR AGRICULTURAL AID AND IN THE VARIOUS RESOURCE TRANSFER MECHANISMS UNDER CONSIDERATION. IN OUR VIEW, IT WAS THE PROSPECT OF DIRECT AND CONCRETE BENEFITS WHICH LED THE PAKISTAN DELEGATION TO PLAY A CONSTRUCTIVE ROLE AT THE WFC MEETING IN ROME. THIS EXPERIENCE SUGGESTS THAT THE US SOULD CONCENTRATE ON DEVELOPING ITS POSITION IN DETAIL ON ONE OR TWO ISSUES WHERE (1) THERE IS CONSIDERABLE INTEREST ON THE PART OF THE COUNTRIES WHOSE COOPERATION WE SEEK AND (2) WE CAN REALISTICALLY EXPECT TO SUSTAIN A FAIRLY GENEROUS POSTURE. THIS MUST BE DONE SOON IF WE ARE TO HAVE ANY IMPACT ON THE POSITION OF OTHER COUNTRIES.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, LESS DEVELOPED COUNTRIES, FOREIGN ASSISTANCE, PUBLIC ATTITUDES
Control Number: n/a
Copy: SINGLE
Draft Date: 25 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ISLAMA07809
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750293-0955
From: ISLAMABAD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750822/aaaaasze.tel
Line Count: 222
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SP
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 STATE A-3627
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 06 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 JUN 2003 by ifshinsr>; APPROVED <09 JUN 2003 by GolinoFR>
Review Markings:

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US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: THE CHALLENGE OF THE DEVELOPING COUNTRIES: EMBASSY COMMENTS ON THE DEPARTMENT'S (S/P) STUDY
TAGS: EGEN, EAID, PK
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006